

City of Baltimore Fiscal 2010

Post-Adoption Budget Reduction Plan



Department of Finance
September 23, 2009

Recent History:

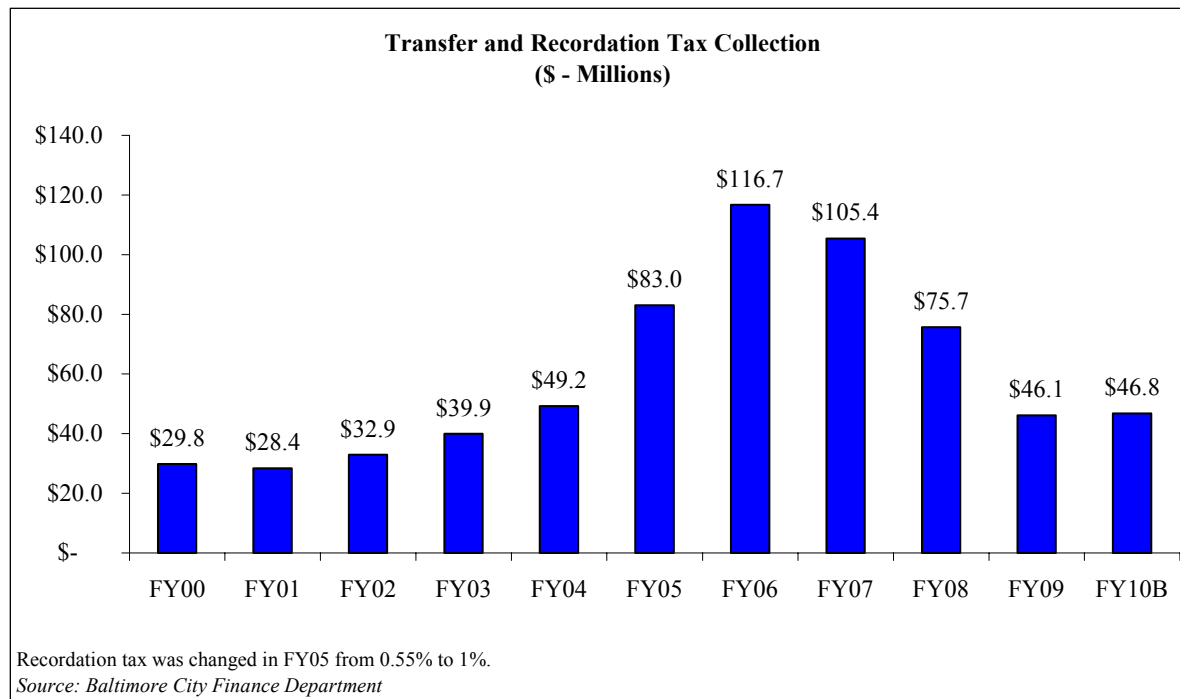
The past two years have presented the City with a series of budget challenges

- Implemented hiring freeze in early Fiscal Year 2008 as revenue began to fall
- Closed deficits of \$37 million in the General Fund and \$31 million in the Motor Vehicle Fund during FY 2009, for a total of \$68 million in mid-year reductions last year
- FY 2010 budget development closed a combined \$120 million baseline budget gap -- \$65 million in the General Fund and \$55 million Motor Vehicle Fund

Revenues Slide as Economy Struggles:

Transfer & Recordation Taxes

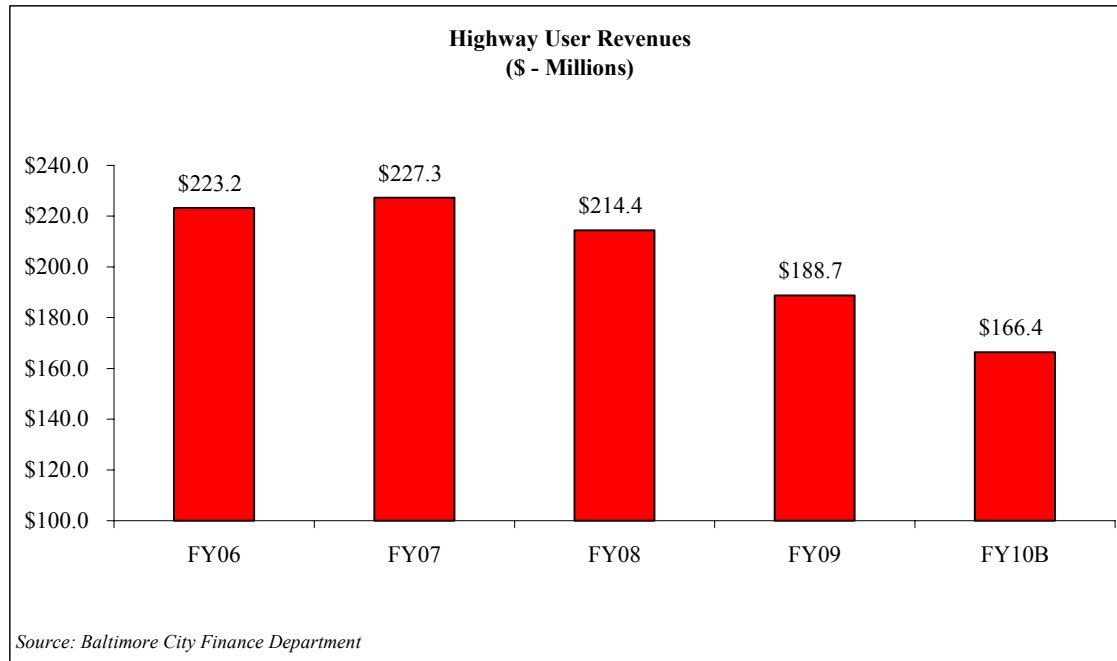
- One example of how the economic slowdown has impacted City revenues—Transfer & Recordation Tax revenues dropped by over \$70 million or 60% between Fiscal Year 2006 and 2009.



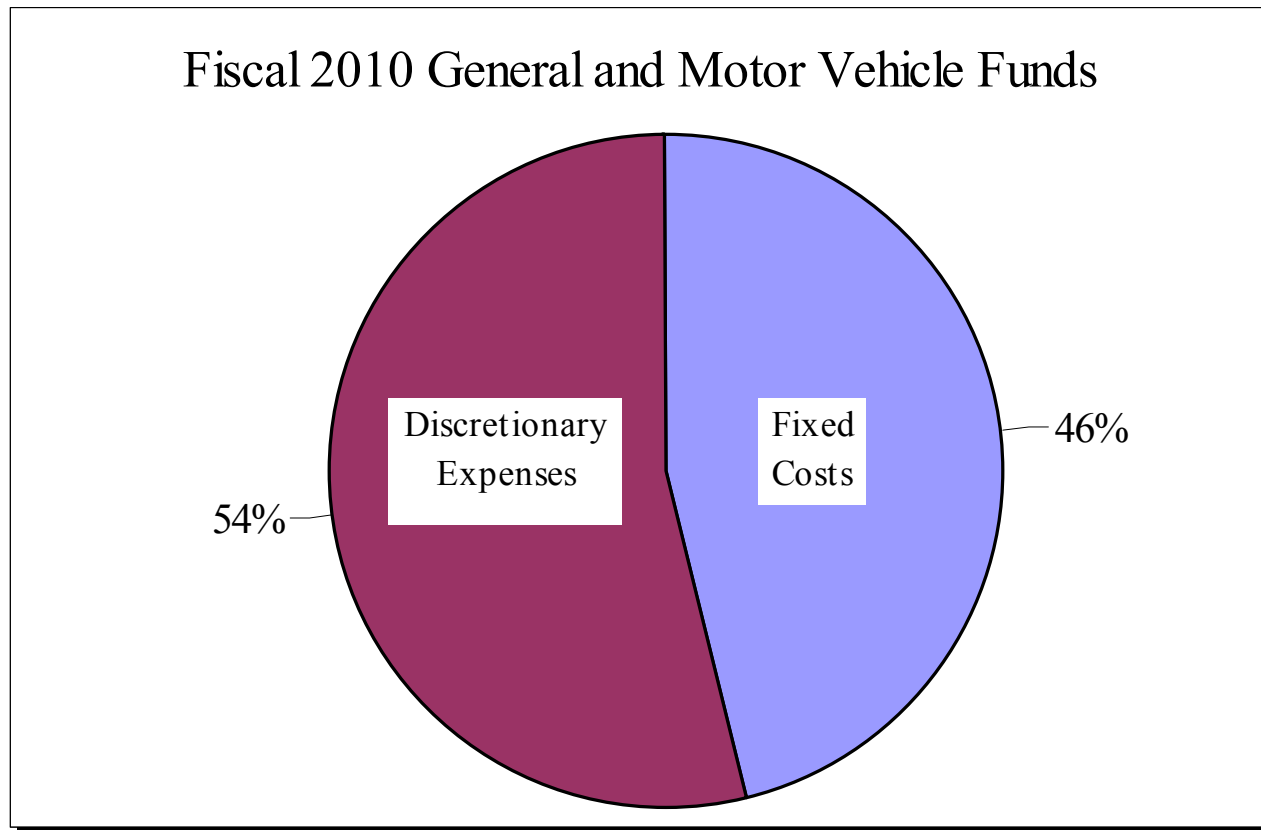
Revenues Slide as Economy Struggles:

Highway User Revenues

- Another example of the impact of the economic slowdown—the allocation of Highway User Revenues to the City has decreased by \$61 million or 27% since Fiscal Year 2007.

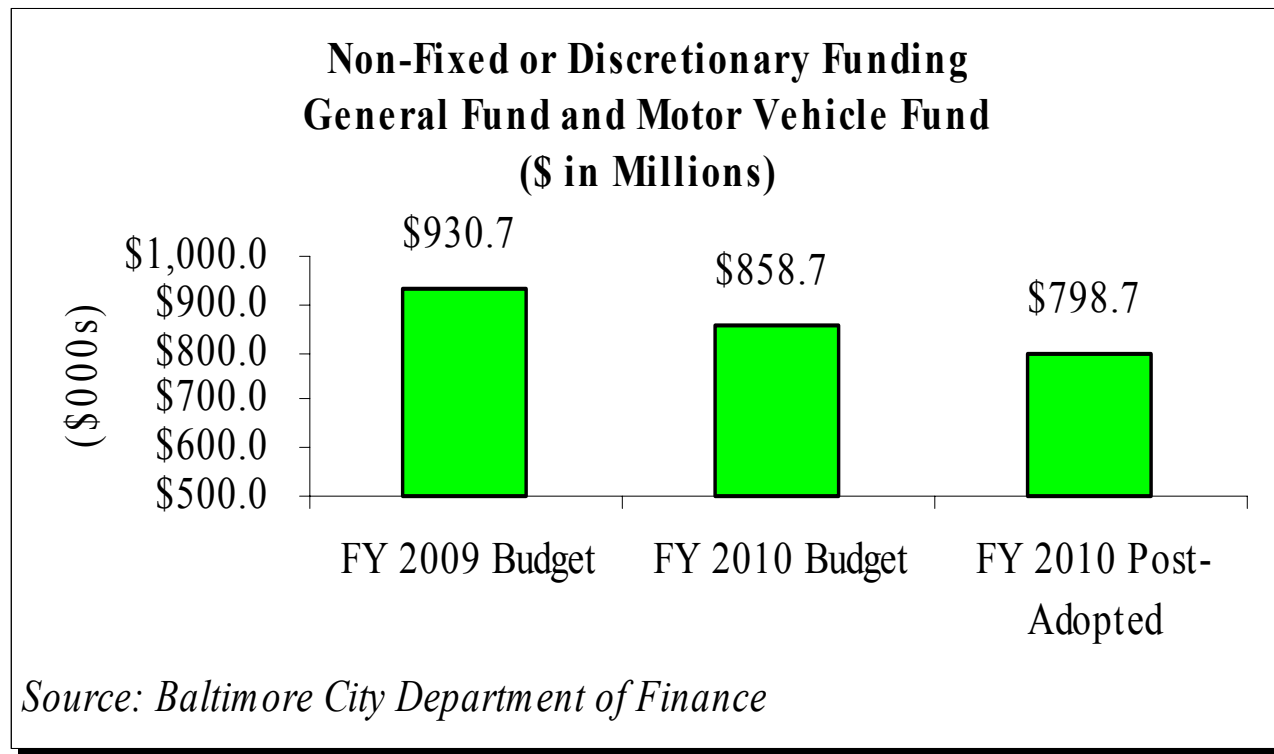


Nearly half of the City's costs are fixed, which constrains budget cutting options



Fixed costs include debt service, pension costs, schools contribution, insurance, etc.

Funding available to cover discretionary expenses has dropped by \$132M (14%) from the Fiscal 2009 adopted budget for General and MVR Funds combined



The Latest Challenge – Fiscal Year 2010

- a) A very preliminary forecast for the General Fund & Motor Vehicle Fund indicates at least a combined potential revenue shortfall of \$25 million, and
- b) A \$35.2 million reduction in State aid
- c) For a projected total revenue gap of \$60.2 million

Objectives in Closing the Budget Gap

- 1) Minimize employee layoffs
- 2) Maintain basic services to the extent possible
- 3) Live within our means by not increasing taxes

Strategy for Closing the Budget Gap

Actions & Projected Savings:

- a) \$20.5 million - Maintaining the current budget freeze on hiring
- b) \$ 2.3 million - PAYGO capital deferrals
- c) \$12.9 million - Agency spending plan reductions
- d) \$13.5 million - Employee Furloughs
- e) \$11.0 million - Use of Fiscal 2009 undesignated fund balance

Employee Furlough Plan – *One Component of the Budget Reduction Plan*

- The furlough plan will become effective October 5, 2009 through June 30, 2010.
- A furlough is a tool for reducing costs during difficult budget times while minimizing the strain of employee layoffs.
- A furlough imposes unpaid leave on employees, but, in doing so, it allows more employees to keep their jobs and benefits.

Summary – Employee Furlough Plan

- The furlough plan will include all full time, part time, temporary and contractual City employees as well as employees from agencies/quasi-agencies including Baltimore Development Corporation, Parking Authority of Baltimore City, and Office of Promotion and the Arts.

Summary – Employee Furlough Plan

- The furlough plan includes a combination of designated mandatory furlough days and additional mandatory furlough days to be implemented between October 5, 2009 and June 30, 2010.
- The designated mandatory furlough days are days in which the City will be officially closed except for 24/7 operations and trash and recycling collection.

Summary – Employee Furlough Plan

- There will be 5 designated mandatory furlough days that coincide with already designated City holidays.

Designated Mandatory Furlough Days

Friday, October 9, 2009

Friday, November 27, 2009

Thursday, December 24, 2009

Friday, January 15, 2010

Friday, May 28, 2010

Summary – Employee Furlough Plan

- Solid waste collections, agency units that are involved in support of court operations and related activities, and 24/7 operations are exempt from using the mandatory furlough days.
- However, the affected departments will be required to manage the number of required furlough days for each employee in these operations over a 9 month period ending June 30, 2010.

Summary – Employee Furlough Plan

- The total number of furlough days will be in accordance with the following structure:

Employee Salary Range:	Less than <u>\$50,000</u>	\$50,000 - <u>\$100,000</u>	Greater than <u>\$100,000</u>
# of days	5	8	10
# of days – 10 month employees	4	7	9

Summary – Employee Furlough Plan

- Note: A budget reduction plan for employees who are represented by the Fire & Police unions will be delayed. A plan for those employee groups will be presented to the B/E on October 21, 2009.

Outlook

- The State is reporting that it will be necessary to reduce another \$300 million in FY 2010.
- It is not known at this time what portion of that reduction will involve local governments.
- Probability is very high that local governments will receive additional State aid reductions.
- How much and when is not known at this time.

Outlook

- This will add to our challenge for further reductions this Fiscal Year - 2010.
- Fiscal 2011- the State is forecasting a \$2.0 billion revenue shortfall for next year.
- Fiscal 2011 – City faces unprecedented increases in pension costs.
- Fiscal 2011- Further reductions in State aid and/or shifting of expenses to local governments will be inevitable.